

Message Text

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ACTION AF-10

INFO OCT-01 ISO-00 SP-02 ICA-11 AID-05 EB-08 NSC-05
TRSE-00 SS-15 STR-07 OMB-01 CEA-01 CIAE-00
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E.O. 11652: NA
TAGS: GH, EFIN
SUBJ: CEDI DEVALUATION

REF: (A) ACCRA 5094 (B) ACCRA 4963

1. JUNE 24 ACCRA PRESS CARRIED FIRST PRESS ANNOUNCEMENT OF THE DEVALUATION OF GHANA'S CURRENCY, THE CEDI, WHICH WAS EFFECTIVE JUNE 20. THE PRESS STORY, BASED ON MINISTRY OF FINANCE RELEASE (REFTEL), NOTED THAT THE GOG WAS CONVEYING ITS DECISION TO ADOPT A FLEXIBLE EXCHANGE RATE TO THE IMF. ON JUNE 29 THE EXCHANGE RATE WAS AGAIN ADJUSTED TO CEDIS 1.35 PER DOLLAR. THIS BRINGS THE CUMULATIVE DEVALUATION WITH RESPECT TO THE DOLLAR TO 17 PERCENT.

2. THE GENERAL PUBLIC SEEMS LITTLE CONCERNED BY THE DEVALUATION. AS LOCAL PRICES GENERALLY REFLECT THE BLACK MARKET RATE OF EXCHANGE OF 8 TO 12 CEDIS PER U.S. DOLLAR, IT IS UNCERTAIN WHEN THE NEW OFFICIAL RATE WILL BE FELT BY CONSUMERS.

3. MOST FOREIGN FIRMS OPERATING IN GHANA HAVE
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ACCUMULATED CEDI PROFITS WHICH THEY HAVE BEEN UNABLE TO REPATRIATE BECAUSE OF THE FOREIGN EXCHANGE CONSTRAINT. WE UNDERSTAND THAT IF THESE TRANSFERS HAVE BEEN APPROVED BY THE BANK OF GHANA, THEY WILL BE MADE AT THE RATE OF EXCHANGE IN EFFECT AT THE TIME OF OETHEIR APPROVAL (WHEN AND IF THE FOREIGN EXCHANGE IS AVAILABLE). THUS, THE DEVALUATION WILL NOT ADVERSLY

EFFECT THE BLOCKED PROFITS OF FOREIGN INVESTORS.

4. WE UNDERSTAND THAT THE 1978-79 BUDGET WILL INCLUDE
FURTHER MEASURES AIMED AT IMPROVING GHANA'S DISTORTED
ECONOMY. WHEN THESE ARE ANNOUNCED WE WILL BE BETTER
ABLE TO ASSESS THE DEVALUATION. HOLMES

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Message Attributes

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